

Message Text

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ACTION ARA-10

INFO OCT-01 EUR-12 IO-10 ISO-00 CIAE-00 DODE-00 PM-03 H-02

INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02

OPIC-03 CIEP-01 LAB-04 SIL-01 OMB-01 AGR-05 FEA-01

STR-04 NEA-10 /125 W

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R 192237Z JUN 75

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 9157

INFO AMEMBASSY BRASILIA

AMEMBASSY ROME

USUN NEW YORK 900

US MISSION GENEVA 189

US MISSION OECD PARIS 519

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PASS AGRICULTURE; ROME FOR FODAG

E.O. 11652: N/A

TAGS: EAGR, EGEN, ETRD, VE

SUBJECT: VISIT OF SECRETARY BUTZ - MEETING WITH
MANUEL PEREZ GUERRERO

REF: CARACAS 6135 (NOTAL)

1. SUMMARY: SECRETARY BUTZ MET WITH DOCTOR MANUEL PEREZ GUERRERO, MINISTER OF STATE FOR INTERNATIONAL ECONOMIC AFFAIRS, ON JUNE 18. TOPICS DISCUSSED INCLUDED THE U.S. TRADE ACT OF 1974, WORLD FOOD PROBLEMS, COMMODITY PROBLEMS, U.S. SUGAR POLICY, AND OIL. THE DISCUSSION WAS GENERAL IN MOST RESPECTS, BUT GAVE BOTH PRINCIPALS A CHANCE TO SPELL OUT THEIR DIFFERING POINTS OF VIEW CONCERNING THE WORLD ECONOMIC
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SYSTEM. END SUMMARY.

2. SECRETARY BUTZ, ACCOMPANIED BY THE AMBASSADOR AND MEMBERS OF THE SECRETARY'S PARTY, CALLED ON DR. MANUEL PEREZ GUERRERO, MINISTER OF STATE FOR INTERNATIONAL ECONOMIC AFFAIRS, ON JUNE 18. THE SECRETARY OPENED THE CONVERSATION BY RECOGNIZING VENEZUELA'S LEADING ROLE AMONG THE NATIONS OF LATIN AMERICA. PEREZ GUERRERO REPLIED THAT VENEZUELA IS FLATTERED THAT IT IS CONSIDERED TO BE AMONG THE LEADING NATIONS OF LATIN AMERICA, BUT EMPHASIZED THAT PRESIDENT PEREZ BELIEVES NO ONE NATION, EVEN A LARGE ONE LIKE BRAZIL, SHOULD BE CONSIDERED THE LEADING NATION OF LATIN AMERICA. CONSEQUENTLY, VENEZUELA IS CONTENT TO BE CONSIDERED ONLY AMONG THE LEADERS OF THIS AREA.

3. DR. PEREZ GUERRERO TURNED THE DISCUSSION TO VENEZUELA'S PETROLEUM POLICY. HE SAID OIL IS THE SOURCE OF VENEZUELA'S ECONOMIC LIFE AND IT MUST BE PRESERVED. THE SECRETARY RESPONDED THAT THIS WAS UNDERSTANDABLE, BUT THE U.S. WISHES TO PURCHASE IT AT AN ECONOMIC PRICE. PEREZ GUERRERO SAID THAT THE U.S. HAS LABELLED OPEC A CARTEL, BUT OPEC IS NOT REALLY A CARTEL. IT DOES NOT USE ITS POWER INDISCRIMINATELY. IF OPEC MEMBERS WERE NOT UNITED, THEY WOULD NOT BE ABLE TO OBTAIN REASONABLE PRICES FOR THEIR OIL EXPORTS. THE SECRETARY COMMENTED THAT IF THE PRICE WERE TOO HIGH, THE USE OF ALTERNATIVE ENERGY SOURCES WOULD BE STIMULATED AND VENEZUELA'S MARKET WOULD BE AFFECTED. PEREZ GUERRERO REPLIED THAT HE WISHED THE U.S. WELL IN THIS ENDEAVOR. HE UNDERSTOOD THE U.S. POINT OF VIEW IN TRYING TO PROTECT ITS INTERESTS AND IN OBTAINING AS MUCH AS IT COULD FOR ITS OWN EXPORT PRODUCTS. THE SECRETARY POINTED OUT THAT THE U.S. HAD STRIVEN NOT TO LIMIT ITS EXPORTS, SOYBEANS FOR EXAMPLE. PEREZ GUERRERO SAID THAT THE U.S. HAD TAUGHT VENEZUELA HOW TO MANAGE ITS OIL ECONOMY. THE TEXAS RAILWAY COMMISSION WAS A GOOD EXAMPLE OF HOW TO MANAGE OIL. PEREZ GUERRERO SAID THAT OIL DIFFERES FROM SOYBEANS. SOYBEANS CAN BE PRODUCED WITHIN A YEAR, BUT IT TAKES MILLIONS OF YEARS FOR NATURE TO PRODUCE OIL.

4. THE SECRETARY TURNED TO FOOD MATTERS. HE SAID HE HAD FOUND PRESIDENT PEREZ WELL-INFORMED ON THIS SUBJECT AND ASKED PEREZ GUERRERO'S OPINION ON PROGRESS MADE IN FOLLOWING UP THE WORLD FOOD CONFERENCE. PEREZ GUERRERO SAID HE WAS ENCOURAGED AND THAT WE SHOULD ALL DO OUR BEST TO MAKE REAL PROGRESS IN THIS LIMITED OFFICIAL USE

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AREA, NOT JUST ON PAPER. VENEZUELA WILL CONTRIBUTE TO THE OPEC-INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT. OPEC COUNTRIES WOULD CONTRIBUTE INDIVIDUALLY RATHER THAN AS A GROUP. VENEZUELA HAD DISCUSSED THIS MATTER WITH THE SHAH OF IRAN DURING HIS RECENT VISIT. THE SECRETARY MENTIONED THAT MR. JOHN HANNAH HAD SPOKEN OF A POSSIBLE WORLD-WIDE TOTAL ANNUAL CONTRIBUTION OF \$1 BILLION FOR THE FUND; HALF FROM OPEC COUNTRIES AND THE OTHER HALF FROM DEVELOPED COUNTRIES. MR. HANNAH HAD DISCUSSED THIS

MATTER WITH PRESIDENT FORD ABOUT A MONTH AGO AND HAD RECEIVED THE IMPRESSION THAT THE U.S. MAY CONSIDER CONTRIBUTING PERHAPS \$200 MILLION. PEREZ GUERRERO SUGGESTED THAT THE VENEZUELAN CONTRIBUTION MIGHT BE ABOUT \$50 MILLION. EVEN THOUGH THE U.S. WAS MORE THAN 4 TIME RICHER THAN VENEZUELA, SUCH A COMPARISON SHOULD NOT BE THE GOVERNING FACTOR. THE SECRETARY REMINDED PEREZ GUERRERO THAT THE U.S. WAS ALREADY MAKING A VERY SUBSTANTIAL CONTRIBUTION OF FOOD COMMODITIES TO INTERNATIONAL PROGRAMS.

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R 192237Z JUN 75

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 9158

INFO AMEMBASSY BRASILIA

AMEMBASSY ROME

USUN NEW YORK 901

US MISSION GENEVA 190

US MISSION OECD PARIS 520

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PASS AGRICULTURE

ROME FOR FODAG

5. DR. PEREZ GUERRERO ASKED THE SECRETARY WHETHER THE U.S. BELIEVES IN COMMODITY BUFFER STOCKS. THE SECRETARY SAID THAT IT DEPENDS ON HOW SUCH STOCKS ARE HANDLED. THE WORLD FOOD CONFERENCE HAD DECIDED TO SUPPORT A PROGRAM OF "NATIONALLY"

MANAGED STOCKS. AN INTERNATIONAL BODY SHOULD DECIDE ON THE FAIR SHARES OF THE PARTICIPANTS, BUT THERE SHOULD BE LOOSE GUIDELINES ON HOW EACH COUNTRY SHOULD PROVIDE ITS SHARE. CANADA AND AUSTRALIA, FOR EXAMPLE, HAVE GOVERNMENT AGENCIES WHICH COULD DO THIS, BUT THE U.S. DOES NOT. THE SECRETARY POINTED OUT THAT FOR MANY YEARS THE U.S. CARRIED RESERVES FOR THE WORLD, WHICH WERE CALLED "SURPLUSES". PEREZ GUERRERO SUGGESTED THAT THE US DID NOT KNOW WHAT TO DO WITH THESE SURPLUSES. THE SECRETARY SAID LIMITED OFFICIAL USE

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THAT UNTIL RECENTLY SUCH RESERVES AND THE PROGRAMS UNDER WHICH THEY WERE PRODUCED HAD COST THE US SOME \$4 BILLION ANNUALLY. NOW HOWEVER, THE POLICY HAD BEEN TURNED AROUND. THE SECRETARY SUGGESTED THAT THE WORLD FOOD CONFERENCE HAD SPENT TOO MUCH TIME ON HOW TO DISTRIBUTE SCARCITY RATHER THAN HOW TO PRODUCE FOOD. PEREZ GUERRERO REPLIED THAT FOOD ABUNDANCE COULD BE A PROBLEM IF NEEDY COUNTRIES WERE NOT ABLE TO EARN THE MEANS TO PURCHASE THEIR NEEDS. THE SECRETARY AND PEREZ GUERRERO CONCLUDED THAT COUNTRIES WITH MEANS, SUCH AS JAPAN, SHOULD PAY FOR THE INVENTORIES THEY NEED.

6. THE SECRETARY SAID THAT THE US DOES NOT INTEND TO GET INTO THE COMMODITY BUSINESS AGAIN. ALL COUNTRIES, ACCORDING TO THE SECRETARY, SHOULD SHARE IN THE HOLDING OF RESERVES. PEREZ GUERRERO SAID THAT HE UNDERSTOOD THIS VIEW, BUT DOES NOT ENTIRELY SHARE IT. VENEZUELA HAS OTHER VIEWS STEMMING FROM A DIFFERENT BACKGROUND. IN THE PAST VENEZUELA DID NOT FOLLOW THE RIGHT POLICIES. PEREZ GUERRERO SAID THAT HE WAS A MEMBER OF THE GOVERNMENT AT THE TIME, AND BOTH HE AND THE GOV ADMIT THEIR PAST MISTAKES. MARKET FORCES BENEFIT THE RICH COUNTRIES BUT NOT THE POOR. WITH RESPECT TO PETROLEUM, FOR EXAMPLE, OIL COMPANIES INTERVENED IN THE MARKET WITH THE SUPPORT OF THE INDUSTRIALIZED COUNTRIES. VENEZUELA HAS CONCLUDED THAT IT MUST MANAGE ITS OIL FOR ITSELF AND FOR THE SAKE OF HUMANITY. VENEZUELA HAS LEARNED FROM ITS PAST MISTAKES. THE US IS WASTEFUL OF OIL, AS ADMITTED BY PRESIDENT FORD, DR. PEREZ GUERRERO SAID. VENEZUELA BELIEVES THERE SHOULD BE NEW RULES OF THE GAME - A NEW INTERNATIONAL ECONOMIC ORDER. MARKET FORCES SHOULD BE DISCIPLINED. PEREZ GUERRERO SAID THIS DOES NOT MEAN THAT THE ECONOMY SHOULD BE PLANNED, BUT ADVERSE EFFECTS SHOULD BE AVOIDED. FOR EXAMPLE, GHANA IS HIGHLY VULNERABLE TO FLUCTUATIONS IN COCOA PRICES. THE INTERNATIONAL COCOA AGREEMENT IS AN ATTEMPT TO AVOID THE ADVERSE EFFECTS OF VARIATIONS IN MARKET CONDITIONS.

7. THE SECRETARY POINTED OUT THAT EXPERIENCE WITH THE INTERNATIONAL GRAIN AGREEMENT WAS NOT GOOD. WHEN PRICES FELL, THE COMPETITORS OF THE US BEGAN TO UNDERSSELL. PEREZ GUERRERO SAID THAT A BALANCING MECHANISM IS NEEDED. PRICES SHOULD NOT BE ALLOWED TO RISE AND FALL WITHOUT RESTRAINT. GOVERNMENTS

OR AN INTERNATIONAL BODY MUST PROVIDE THIS. PEREZ GUERRERO
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REFERRED TO JOHN BOYD ORR'S PLANS FOR BUFFER STOCKS AS AN
APPROPRIATE REMEDY. THE SECRETARY AGREED THAT BUFFER STOCKS CAN
BE A GOOD THING, BUT WITH APPROPRIATE INTERNATIONAL GUIDELINES.
PEREZ GUERRERO CONCURRED THAT NO NATION SHOULD BEAR THE TOTAL
BURDEN. HE SAID THAT THE US HAS TAUGHT VENEZUELA THE IMPORTANCE
OF RESOURCES MANAGEMENT. THE SECRETARY SAID THAT AN INTER-
NATIONAL DEVELOPMENT FUND FOR FOOD AND RESERVES OF FOOD AND
FEED GRAINS MAKE SENSE - BUT THE QUESTION IS HOW THEY SHOULD BE
MANAGED. THE US BELIEVES THAT THE MARKET CAN DO THE JOB AND
DOES NOT FAVOR EXPORT CONTROLS. US VIEWS ARE NOT INFLEXIBLE,
HOWEVER; WE WANT TO COOPERATE WITH OTHER COUNTRIES IN RESOLVING
SUCH PROBLEMS. MR. FRICK COMMENTED THAT INDIVIDUAL FARMERS
IN THE US ARE VERY WARY OF GOVERNMENT INTERFERENCE IN FARMING
MATTERS.

8. DR. PEREZ GUERRERO COMMENTED THAT SYSTEMS MAY VARY FROM
COUNTRY TO COUNTRY, BUT THERE SHOULD BE ONE SYSTEM FOR THE
WORLD AS A WHOLE. THE WORLD CANNOT AFFORD TO BE PROVEN WRONG.
WE SHOULD PROGRESS TO A NEW SYSTEM - NOT RETURN TO THE INTOLERABLE
SYSTEM OF THE PAST. SEVERAL BILLION PEOPLE IN THE WORLD ARE
OPPOSED TO THIS. THERE MUST BE NEW RULES OF THE GAME. THE
SECRETARY SAID THAT PRICES CAN ACCOMPLISH ADJUSTMENTS AUTO-
MATICALLY. THE RESULT WOULD BE THE SAME.

9. DR. PEREZ GUERRERO INQUIRED ABOUT THE US POSITION WITH
RESPECT TO SUGAR QUOTAS. THE SECRETARY REPLIED THAT THE US NOW
HAS A GLOBAL QUOTA. THERE IS SOME PRESSURE IN THE US TO RETURN
TO A SYSTEM OF INDIVIDUAL COUNTRY QUOTAS, BUT HE THOUGHT THAT THIS
EMANATED MAINLY FROM WASHINGTON SUGAR LOBBYISTS.
AS LONG AS US AGRICULTURE CAN MAINTAIN FULL PRODUCTION, HE
DOES NOT THINK THAT THERE WILL BE PRESSURE FROM FARM GROUPS TO
RETURN TO THE FORMER SYSTEM OF SUGAR QUOTAS.

10. DR. PEREZ GUERRERO COMMENTED BRIEFLY ON OIL TARIFFS.
HE NOTED THAT THERE HAD BEEN CONSIDERABLE SHIFTING AROUND OF
SUCH TARIFFS. HE SAID VENEZUELA FAVORS A REDUCTION IN CON-
SUMPTION, BUT HE DOUBTED THAT THE TARIFFS WILL ACCOMPLISH THIS.
HE NOTED A CONTRADICTION IN PRESSURING FOR LOWER OIL PRICES
WHILE IMPLEMENTING MEASURES SUCH AS TARIFFS WHICH INCREASE
CONSUMER COSTS.

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11. DR. PEREZ GUERRERO CONCLUDED THE MEETING BY NOTING THAT HE WAS CERTAIN THAT WE CAN ARRIVE AT SOME CONCLUSIONS ABOUT THE MATTERS DISCUSSED. EVEN GREAT COUNTRIES HAVE BEEN SHAKEN BY RECENT EVENTS IN THE WORLD ECONOMY. WE MUST ARRIVE AT A WORLD SYSTEM; PERHAPS NOT IN HIS LIFETIME, HE SAID, BUT IN THE LIFETIMES OF YOUNGER PEOPLE.

12. COMMENT: THE CONVERSATION WAS VERY GENERAL IN MOST RESPECTS AND DID NOT FOCUES MUCH ON SPECIFIC QUESTIONS OF INTERNATIONAL COOPERATION IN AGRICULTURE, AS HAD BEEN EXPECTED. FOR EXAMPLE, DR. PEREZ GUERRERO DID NOT RAISE THE QUESTION OF COOPERATION IN A PROJECT TO SUPPLY LATIN AMERICAN COUNTRIES WITH FERTILIZER ON CONCESSIONAL TERMS, AS ANTICIPATED (SEE REFTEL). PEREZ GUERRERO'S PREOCCUPATION WITH HIS CONCEPT OF A NEW WORLD ECONOMIC ORDER WAS APPARENT THROUGHOUT THE MEETING.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MEETING AGENDA, ECONOMIC CONDITIONS, DIPLOMATIC DISCUSSIONS, MEETING REPORTS
Control Number: n/a
Copy: SINGLE
Draft Date: 19 JUN 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975CARACA06339
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750214-0825
From: CARACAS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750631/aaaabcna.tel
Line Count: 293
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
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Reference: 75 CARACAS 6135
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 21 MAY 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <21 MAY 2003 by MartinML>; APPROVED <22 MAY 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: VISIT OF SECRETARY BUTZ - MEETING WITH MANUEL PEREZ GUERRERO
TAGS: EAGR, EGEN, ETRD, VE, (BUTZ, EARL), (PEREZ GUERRERO, MANUEL)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006